



Senate

General Assembly

File No. 166

January Session, 2007

Substitute Senate Bill No. 1263

Senate, March 28, 2007

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE CONSOLIDATION OF ENERGY CONSERVATION LOAN PROGRAM STATUTES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 16a-40b of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2007*):

3 (a) The commissioner, acting on behalf of the state, may, with
4 respect to loans for which funds have been authorized by the State
5 Bond Commission prior to July 1, 1992, in his discretion make low-cost
6 loans or deferred loans to residents of this state for the purchase and
7 installation in residential structures of insulation, alternative energy
8 devices, energy conservation materials and replacement furnaces and
9 boilers, approved in accordance with regulations to be adopted by the
10 Secretary of the Office of Policy and Management. In the purchase and
11 installation of insulation in new residential structures, only that
12 insulation which exceeds the requirements of the State Building Code
13 shall be eligible for such loans or deferred loans. The commissioner
14 may also make low-cost loans or deferred loans to persons in the state

15 residing in dwellings constructed not later than December 31, 1979,
16 and for which the primary source of heating since such date has been
17 electricity, for the purchase of a secondary heating system using a
18 source of heat other than electricity or for the conversion of a primary
19 electric heating system to a system using a source of heat other than
20 electricity.

21 (b) Except as provided under subsection (c) of this section, any such
22 loan or deferred loan shall be available only for a residential structure
23 containing not more than four dwelling units, shall be not less than
24 four hundred dollars and not more than [six] fifteen thousand dollars
25 per structure and, with respect to any application received on or after
26 November 29, 1979, shall be made only to an applicant who submits
27 evidence, satisfactory to the commissioner, that the adjusted gross
28 income of the household member or members who contribute to the
29 support of his household was not in excess of one hundred fifty per
30 cent of the median area income by household size. In the case of a
31 deferred loan, the contract shall require that payments on interest are
32 due immediately but that payments on principal may be made at a
33 later time. Repayment of all loans made under this subsection shall be
34 subject to a rate of interest to be determined in accordance with
35 subsection (t) of section 3-20 and such terms and conditions as the
36 commissioner may establish. The State Bond Commission shall
37 establish a range of rates of interest payable on all loans under this
38 subsection and shall apply the range to applicants in accordance with a
39 formula which reflects their income. Such range shall be not less than
40 zero per cent for any applicant in the lowest income class and not more
41 than one per cent above the rate of interest borne by the general
42 obligation bonds of the state last issued prior to the most recent date
43 such range was established for any applicant for whom the adjusted
44 gross income of the household member or members who contribute to
45 the support of his household was at least one hundred [fifteen] fifty
46 per cent of the median area income by household size.

47 (c) The commissioner shall establish a program under which he
48 shall make funds deposited in the Energy Conservation Loan Fund

49 available for low-cost loans or deferred loans under subsection (a) of
50 this section for residential structures containing more than four
51 dwelling units, or for contracts guaranteeing payment of loans or
52 deferred loans provided by private institutions for such structures for
53 the purposes specified under subsection (a) of this section. Any such
54 loan or deferred loan shall be an amount equaling not more than one
55 thousand dollars multiplied by the number of dwelling units in such
56 structure, provided no such loan or deferred loan shall exceed thirty
57 thousand dollars. If the applicant seeks a loan or deferred loan for a
58 structure containing more than thirty dwelling units, he shall include
59 in his application a commitment to make comparable energy
60 improvements of benefit to all dwelling units in the structure in
61 addition to the thirty units which are eligible for the loan or deferred
62 loan. Applications for contracts of guarantee shall be limited to
63 structures containing not more than thirty dwelling units and the
64 amount of the guarantee shall be not more than fifteen hundred dollars
65 for each dwelling unit benefiting from the loan or deferred loan. There
66 shall not be an income eligibility limitation for applicants for such
67 loans, deferred loans or guarantees, but the commissioner shall give
68 preference to applications for loans, deferred loans or guarantees for
69 such structures which are occupied by persons of low or moderate
70 income. Repayment of such loans or deferred loans shall be subject to
71 such rates of interest, terms and conditions as the commissioner shall
72 establish. The state shall have a lien on each property for which a loan,
73 deferred loan or guarantee has been made under this section to ensure
74 compliance with such terms and conditions.

75 (d) With respect to such loans made on or after July 1, 1981, all
76 repayments of principal shall be paid to the State Treasurer for deposit
77 in the Housing Repayment and Revolving Loan Fund. The interest
78 applicable to any such loans made shall be paid to the State Treasurer
79 for deposit in the General Fund. After the close of each fiscal year,
80 commencing with the close of the fiscal year ending June 30, 1992, and
81 prior to the date of the calculation required under subsection (f) of this
82 section, [and subsection (f) of section 32-317,] the Commissioner of
83 Economic and Community Development shall cause any balance of

84 loan repayments under this section remaining in said fund to be
85 transferred to the [energy conservation revolving loan account] Energy
86 Conservation Loan Fund created pursuant to section [32-316] 16a-40a.

87 (e) The commissioner shall adopt regulations in accordance with
88 chapter 54, (1) concerning qualifications for such loans or deferred
89 loans, requirements and limitations as to adjustments of terms and
90 conditions of repayment and any additional requirements deemed
91 necessary to carry out the provisions of this section and to assure that
92 those tax-exempt bonds and notes used to fund such loans or deferred
93 loans qualify for exemption from federal income taxation, (2)
94 providing for the maximum feasible availability of such loans or
95 deferred loans for dwelling units owned or occupied by persons of low
96 and moderate income, (3) establishing procedures to inform such
97 persons of the availability of such loans or deferred loans and to
98 encourage and assist them to apply for such loans or deferred loans,
99 and (4) providing that (A) the interest payments received from the
100 recipients of loans or deferred loans made on and after July 1, 1982,
101 less the expenses incurred by the commissioner in the implementation
102 of the program of loans, deferred loans and loan guarantees under this
103 section, and (B) the payments received from electric and gas
104 companies under subsection (f) of this section shall be applied to
105 reimburse the General Fund for interest on the outstanding bonds and
106 notes used to fund such loans or deferred loans made on or after July
107 1, 1982.

108 (f) Not later than August first, annually, the commissioner shall
109 calculate the difference between (1) the weighted average of the
110 percentage rates of interest payable on all subsidized loans made (A)
111 after July 1, 1982, from the Energy Conservation Loan Fund, (B) from
112 the Home Heating System Loan Fund established under section 16a-
113 40k, and (C) from the Housing Repayment and Revolving Loan Fund
114 pursuant to this section, and (2) the average of the percentage rates of
115 interest on any bonds and notes issued pursuant to section 3-20, which
116 have been dedicated to the energy conservation loan program and
117 used to fund such loans, and multiply such difference by the

118 outstanding amount of all such loans, or such lesser amount as may be
119 required under Section 103(c) of the Internal Revenue Code of 1986, or
120 any subsequent corresponding internal revenue code of the United
121 States, as from time to time amended. The product of such difference
122 and such applicable amount shall not exceed six per cent of the sum of
123 the outstanding principal amount at the end of each fiscal year of all
124 loans or deferred loans made (A) on or after July 1, 1982, from the
125 Energy Conservation Loan Fund, (B) from the Home Heating System
126 Loan Fund established under section 16a-40k, and (C) from the
127 Housing Repayment and Revolving Loan Fund pursuant to this
128 section, and the balance remaining in the Energy Conservation Loan
129 Fund and the balance of energy conservation loan repayments in the
130 Housing Repayment and Revolving Loan Fund. Not later than
131 September first, annually, the Department of Public Utility Control
132 shall allocate such product among each electric and gas company
133 having at least seventy-five thousand customers, in accordance with a
134 formula taking into account, without limitation, the average number of
135 residential customers of each company. Not later than October first,
136 annually, each such company shall pay its assessed amount to the
137 commissioner. The commissioner shall pay to the State Treasurer for
138 deposit in the General Fund all such payments from electric and gas
139 companies, and shall adopt procedures to assure that such payments
140 are not used for purposes other than those specifically provided in this
141 section. The department shall include each company's payment as an
142 operating expense of the company for the purposes of rate-making
143 under section 16-19.

144 Sec. 2. Sections 32-315 to 32-318, inclusive, of the general statutes are
145 repealed. (*Effective October 1, 2007*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2007</i>	16a-40b
Sec. 2	<i>October 1, 2007</i>	Repealer section

CE *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Economic & Community Development	GOBonds - See Below	See Below	See Below

Note: GOBonds=General Obligation Bonds

Municipal Impact: None

Explanation

Changes in the bill which apply the maximum interest rate only to those applicants of the Energy Conservation Loan (ECLF) Fund whose incomes are 150% of the median area income rather than to all whose incomes are between 115% and 150% could increase demand on the program and funding by potentially expanding the pool of applicants. Currently only 2-4 applicants a year fall in this area. The unallocated GO bond balance for the ECLF is \$5 million as of 3/23/07. The ECLF is administered through a contract by the Connecticut Housing Investment Fund Inc. (CHIF) for the Department of Economic and Community Development.

The bill also eliminates duplicative statutes concerning ECL which have no fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 1263*****AN ACT CONCERNING THE CONSOLIDATION OF ENERGY CONSERVATION LOAN PROGRAM STATUTES.*****SUMMARY:**

The Energy Conservation Loan Fund (ECLF) provides low-cost loans for specified energy conservation improvements for single- and multi-unit residences. For loans for one-to-four unit residences, the State Bond Commission must establish interest rates ranging from zero to 1% above the interest rate on the state's most recently issued general obligation bonds. The interest rate payable on a loan depends on the borrower's household income. Borrowers with incomes over a statutory income threshold pay the highest rate.

This bill increases the income threshold at which the highest interest rate applies from 115% to 150% of median area income by household size. Because only borrowers with household incomes at or below the 150% income threshold are eligible for the one-to-four unit loans, the bill applies the maximum interest rate only to those whose incomes are 150% of median area income rather than to all whose incomes are between 115% and 150%.

The bill also eliminates one of two largely duplicative statutes governing the ECLF program, thereby resolving conflicts between the two laws and clarifying loan terms and administrative procedures.

Finally, the bill eliminates the energy conservation revolving loan account, which is currently used for making ECLF loans and loan guarantees and paying the Department of Economic and Community Development's (DECD) administrative expenses for the program. Under current law, the account is funded by any excess of loan repayments and annual utility assessments remaining after covering

the state's debt service payments on outstanding bonds issued for the program and DECD's administrative expenses. The bill instead directs this money to the ECLF, which, under current law, is also used for making the loans and loan guarantees and paying DECD's program-related expenses.

EFFECTIVE DATE: October 1, 2007

ECLF LOAN LIMITS

In addition to loans for one-to-four unit residences, the ECLF also provides low-cost and deferred repayment loans and loan guarantees for residential buildings with more than four units. Current laws governing the ECLF program have different loan and loan guarantee limits. The bill resolves the conflicting provisions as shown below:

<i>Limits</i>	<i>Current Law</i>		<i>Bill</i>
	<i>§ 16a-40b</i>	<i>§ 32-317</i>	
Loan for 1-4 unit residences	\$6,000	\$15,000	\$15,000
Per-unit loan for building with more than 4 units	1,000	2,000	1,000
Overall loan for building with more than 4 units	30,000	60,000	30,000
Per-unit loan guarantee for building with more than 4 units but not more than 30 units	1,500	3,000	1,500

ELECTRIC HEATING SYSTEM CONVERSIONS

The ECLF provides loans for converting heating systems or installing secondary heating systems in one-to-four unit residences built before January 1, 1980 that use electric heat as their primary heating source. The bill eliminates a provision in one of the current laws allowing such loans to be used only for high-efficiency systems. It thus adopts the less restrictive standard of the other current law that requires only that the replacement or secondary system be one that uses a source of heat other than electricity.

BACKGROUND

Energy Conservation Loans

Under current law and the bill, ECLF borrowers can use loan funds to buy or install energy conservation material, insulation, replacement

furnaces and boilers, and alternative energy devices in a residential structure. Alternative energy devices are woodstoves or solar, wood, wind, water, or geothermal systems for space heating, water heating, cooling, or electricity generation. A residential structure is a building that uses at least two-thirds of its square footage as dwellings.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 19 Nay 1 (03/13/2007)